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FISCAL IMPACT REPORT

ORIGINAL DATE 1/19/08

SPONSOR Snyder LAST UPDATED _____ HB _____

SHORT TITLE Drinking Water System Financing SB 19

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
\$2,000.0		Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
\$8,000.0			Non-Recurring	Drinking Water State Revolving Loan Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 19 appropriates \$2 million from the general fund to the drinking water state revolving loan fund for the purpose of providing a state match for the federal Safe Drinking Water Act of 1974 to carry out the purposes of the state Drinking Water State Revolving Loan Fund Act.

FISCAL IMPLICATIONS

The appropriation of \$2 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund. The \$2 million appropriation would generate \$8 million in Federal matching funds from the Environmental Protection Agency.

To date, the NMFA has provided a total state match of approximately \$15.1 million, generating approximately \$75.5 million for deposit to the drinking water state revolving loan fund. As of June 30, 2007, NMFA has made 23 loans totaling approximately \$37.5 million for water systems.

This bill contains an emergency clause.

SIGNIFICANT ISSUES

The New Mexico Drinking Water State Revolving Loan Fund Act was enacted in 1997 in response to the re-authorization of the federal Safe Drinking Water Act (SDWA). The SDWA required the Environmental Protection Agency (EPA) to make capitalization grants to states over several years to further the health objectives of SDWA. The state Act created the drinking water state revolving loan fund and charged the New Mexico Finance Authority with establishing, in cooperation with the Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities. Laws of 2001 amended the Act to allow private community water systems to qualify for funding under the act and eliminate certain restrictions for refinancing existing water system debt in order to make state law consistent with federal law.

ADMINISTRATIVE IMPLICATIONS

A set-aside of approximately 31 percent, four percent for the New Mexico Finance Authority and the remainder for the Drinking Water Bureau of the New Mexico Environment Department provide operational costs for administration of the drinking water state revolving loan fund. According to NMFA, 31 full-time-equivalents are supported from the federal set-asides. The Authority uses its portion of the set-aside to administer the fund for such expenditures as legal counsel, construction oversight, and technical review related to project completion.

LMK/mt